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SUBJECT: DOMINICAN POLITICS #11: FERNANDEZ'S SPEECH ON HIS
FIRST 100 DAYS

11. (SBU) Following is number 11 in our series on 2004
Dominican politics.

Fernandez's Speech on his First 100 Days

First announced for the 100th day of his administration, November 25, President Leonel Fernandez's speech was postponed until Monday night, November 29, at 8 p.m. The President recorded it at a studio at Congress in late afternoon but the broadcast on all TV channels and radio was delayed until 9, then until 10, and finally actually went on the air after 11 p.m., cutting off other local broadcasts. This greatly annoyed some baseball fans, who were biting their nails over the outcome in extra innings of a game between leading teams Licey and Aguilas. The delay also greatly reduced the audience; the President spoke near midnight instead of in prime time. It transpired that the long delay was due to insertion into the tape of graphs, charts, and graphics of the newspaper comments cited by the President.

It was probably just as well that the audience was small. Although Fernandez clearly enjoyed delivering the speech, it would have been nearly incomprehensible for the average Dominican. The first quarter of the 19-page address dealt with international finances and economics, and Fernandez loaded it down with statistics and jargon ("achieving an inverted yield curve. . . ."). This was not a stump speech -- there was a single line that stood out as quotable, and that was his emphatic promise of using a "tough hand against crime." He appeared to be talking to the small world of thirty-something international financial analysts that he mentioned in passing in his August 16 inaugural speech, with perhaps an offering as well to any academics who were seriously trying to score his party's progress in achieving the goals announced in its campaign platform. One theme conspicuously absent was that of international trade and the difficulties facing his bill to repeal the protectionist tax standing as an obstacle to Dominican participation in the free trade agreement with the United States and the Central American countries (CAFTA).

Our precis of the speech follows. The full text in Spanish is posted on the Santo Domingo SIPRNET site.

President Fernandez's Speech on His First 100 Days in Office
November 29, 2004

President Fernandez reviewed the errors of the previous government, going into great detail of the failure to pay international debts, the electricity crisis and its effects on the population, the devaluation and instability of the peso, and rampant inflation.

Fernandez said that there has been great change in the last three months. He credits the collaboration of different sectors such as the National Congress, business, the Catholic church, civil society, public opinion leaders, and functionaries and employees of the government with achieving numerous goals in the first 100 days of his administration.

The bulk of his speech focused on the economic situation of the Dominican Republic. He stated that the economy had greatly improved since he took office on August 16. Fernandez emphasized his point by quoting a Miami Herald article that said the "economy of the Dominican Republic is showing signs of improvement since Leonel Fernandez assumed the presidency." He went on to list the many achievements of his administration:

Economy

-- The confidence of economic agents has been recouped causing a spectacular fall in the price of the dollar from \$42.21 to \$29.63 or 12.58RD meaning that the value of the

peso against the dollar has increased 30%

-- The goal of the current administration is to stabilize the peso at a rate that will preserve the DR external competitiveness while allowing the poor to afford basic necessities

-- Currency stabilization will be achieved through a prudent monetary and fiscal policy. The austerity programs that the government has initiated will guarantee the macroeconomic stability that has been achieved in the last 100 days over the remainder of the Fernandez administration

-- The administration has adopted a comprehensive strategy to resolve the quasi fiscal deficit of the Central Bank which includes inverting the yield curve of the debt while applying new long term methods of creating positive yield.

-- The administration has reduced the interest rate by half of the Central Bank certificates, from 59.61% to 24.46%

-- In September a deflation of 1.13% occurred. The Central Bank reports that inflation for the month of November is expected to be 0.68%.

-- The noticeable control of prices has caused international organization to revise their inflation estimates for 2004 from 45% to 33%

-- The Dominican Merchants Federation (FDC) reported that more than 2500 products have dropped in price including rice, beans, chicken, beef, pork, cod fish, plantain, eggs, bread, yucca, local yams, oil, and powdered milk

-- The fall in prices translates to an increase in real salary, with the same amount of money a consumer can now buy more goods

--The government has initiated a new program & Eating is Fundamental8 (Comer es Primero) which will help families in extreme poverty by giving them a monthly allowance of 550 pesos (USD 18.50) worth of food. Recipients must agree to various conditions, such as ensuring that children attend school. Social Services (Gabinete Social), overseen by Vice-President Albuquerque has initiated a census of the country, to be carried out by private contractors, which will identify the 200,000 poorest families which will participate in the program.

--The reserves of the Central Bank have increased from a deficit of US\$13.1 million to a surplus of US\$176 million, allowing the country to live up to its short term international financial responsibilities.

-- The Gross Domestic Product will have grown by 1.8% by the end of the year, in contrast to the IMF's initial estimate of a 1% loss. This increase is due to the 3.6% growth that the country experienced in the last 100 days.

--The government will work to sustain the economic recovery and to create a new agreement with the IMF. To reach an agreement the government has initiated tax reforms beginning October 1 which include the increase in the rate of VAT (ITBIS) from 12% to 16%, an increase in a luxury tax affecting alcohol and tobacco, inflation adjustments on the tax on gasoline, and reassessment the beneficiaries of gas and electricity subsidies

-- The government will also take on the following goals as part of an IMF agreement

-- reform public financial institutions to improve the design and application of fiscal policies

-- strengthen the Central Bank and the Superintendent of Banks with the goal of improving the application of monetary policy and the financial system

--improve the efficiency of the electric sector and assure its financial viability

-- The government has entered into negotiations with the Paris Club with the goal of confirming the agreement started in April of 2004 to reprogram US\$193 million of debt payment.

-- New investments have been started in the tourism industry, the free trade zones, and in new infrastructure projects.

--The government has resolved the problem of liquid gas (cooking gas) supply shortage. The subsidy program for cooking gas has gained transparency and been limited in its scope resulting in a savings of RD\$600 million for the government.

Agriculture

-- The government is concentrating on three areas of the farming and livestock sector: strengthening national production by increasing the selection to consumers while

raising the quality and lowering the price of goods, rehabilitation of farming and livestock after hurricane Jeanne, and carrying out construction projects to repair damaged road and bridges.

Health

-- In an effort to rebuild the ailing health care sector, the government has purchased ambulances, repaired electrical generators, and created a program of inter-institutional technical assistance.

Environment

-- During the first 100 days the government planted 1,700,000 trees, started to formulate policies regarding protected land and biodiversity with technical assistance from Germany. The Secretary of the Environment has ordered that the rock-ash be

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removed from the country

Education

-- New projects for renovating the country's education system have been initiated which include technology centers in primary and secondary schools, a financing program for teachers to buy computers, development of a national education software, a program to train teachers in information technology, the creation of an education website and the development of a national bilingual education system encompassing pre-Kindergarten through high school.

-- 4,400,000 text books have been distributed to elementary students, 50,000 backpacks with school supplies have been distributed to poor students, 20,000 desks have been distributed to schools around the country

President Fernandez said he recognizes that there are still many challenges ahead including strengthening legal institutions, fighting corruption, creating mechanism by which the law of civil service and administrative career can be applied to avoid the anarchy that occurs every four years when the entire government changes, and rehabilitating the diplomatic school. He concluded by saying that the two greatest threats to the future of the Dominican Republic were the electricity crisis and crime. He stated that the government has paid 3 billion pesos to address the collapse of the electric sector and that a strategy to resolve the problem is being developed in conjunction with the World Bank. He made strong statements about his tough position on violence ("a tough hand against crime"), drug trafficking, and organized crime, although he gave no concrete examples of how this position would be enforced.

12. (U) Drafted by Michael Meigs, Tawnie McNeil.

13. (U) This piece and others in our series can be consulted at our SIPRNET site
<http://www.state.sgov.gov/p/wha/santodomingo/>
along with extensive other material.

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